7th March 2024

2023 Full Year Results

A challenging trading environment in 2023; well positioned for a return to growth in 2024

	Twelve months ended 31st December		
Statutory (£m/p)	**2023**	**2022**	**Reported**
Revenue[+]	1,682.6	1,610.6	+4%
Operating profit	284.4	318.8	-11%
Operating profit margin	16.9%	19.8%	-290bps
Profit before taxation	244.5	308.1	-21%
Basic earnings per share	249.5	305.1	-18%
Dividend per share	160.0	152.0	+5%

Adjusted (£m/p)	**2023**	**2022**	**Reported**	**Organic***
Revenue[+]	1,682.6	1,610.6	+4%	-1%
Adjusted operating profit	349.1	380.2	-8%	-12%
Adjusted operating profit margin	20.7%	23.6%	-290bps	-270bps
Adjusted profit before taxation	309.2	370.6	-17%	
Adjusted basic earnings per share	312.4	377.2	-17%	
Adjusted cash conversion	81%	57%		

- Revenues up 4% reflecting full-year contribution from acquisitions; down 1% organically
- Organic revenue growth in STS[++] (8%) and ETS[++] (2%) outperformed global IP[+++] of 0.3%
- Watson-Marlow organic revenue declined by 19% due to weak Biopharm** demand
- Group organic revenue growth in H1 was offset by a decline in H2, driven by weakening IP outlook
- Early restructuring actions and cost containment partially mitigated margin impact, particularly in H2
- Adjusted operating profit margin reflects adverse mix impact of lower volumes in higher margin businesses
- Statutory operating profit and margin reflect impact of restructuring and impairment costs
- Strong recovery in adjusted cash conversion; above guidance due to phasing of large capital projects
- Total dividend of 160.0 pence per share, maintaining 56 year track record
- Return to organic sales growth and adjusted operating profit margin progress expected in 2024

Nimesh Patel, Group Chief Executive Officer, commenting on the results said:

"Our financial results in 2023 were impacted by a more challenging trading environment than we had anticipated at the start of the year, with a number of external headwinds to our highest margin businesses. An early focus on restructuring to right-size capacity, together with cost containment actions, supported our adjusted operating profit margin. We are well positioned to return to revenue and profit growth in 2024.

It is a privilege to lead Spirax Group, working alongside outstanding people to continue building on the strengths of our unique business model. We have a long track record of navigating volatile macroeconomic conditions to deliver growth ahead of industrial production. Our decision to maintain revenue investment in critical strategic initiatives, such as further developing our digital and decarbonisation capabilities, will support the delivery of compounding growth at attractive margins for many years to come."

[+] 'Sales' is used interchangeably with 'revenue' when describing the financial performance of the business

[++] 'STS': Steam Thermal Solutions; 'ETS': Electric Thermal Solutions

[+++] 'IP': Industrial Production growth

* Organic measures are at constant currency and exclude contributions from acquisitions and disposals (with our Russian Operating Companies treated as disposals from the date at which the Group suspended all trading with and within Russia)

** 'Biopharm' refers to Watson-Marlow sales to the Pharmaceutical & Biotechnology sector

See Appendix to the Financial Statements for an explanation of alternative performance measures.

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Audio webcast

The results presentation will be available as a live webcast at 9.15 am on the Company's website at www.spiraxgroup.com or via the following link:
https://edge.media-server.com/mmc/p/g9a8ou9i/
A recording will be made available on the website shortly after the meeting.

About Spirax Group

Spirax Group (formerly Spirax-Sarco Engineering) is positioned to play a critical role in enabling the industrial transition to net zero, aligned to our Purpose to create sustainable value for all our stakeholders as we engineer a more efficient, safer and sustainable world. We put solving customers' problems at the heart of our 'total solutions' approach. Our global thermal energy and fluid technology solutions improve operating efficiency and safety in our customers' critical industrial processes. Our recently launched new-to-world decarbonisation* solutions use proprietary technologies to electrify boilers, for the raising of steam, as well as the electrification of other critical industrial process heating applications.

Spirax Group comprises three strong and aligned Businesses: **Steam Thermal Solutions** helps customers control and manage steam within their mission critical industrial applications, such as cleaning, sterilising, cooking and heating. We are helping to put food safely on the world's tables and keeping our hospitals running. **Electric Thermal Solutions** has proprietary technologies that deliver electrification solutions at scale in industrial settings, including for the raising of steam, supporting our customers to achieve their net zero goals. We also deliver freeze protection and defrost solutions critical to aviation and space industries and ensure thermal uniformity in Semiconductor chip manufacturing to power the critical electronic systems we rely on. **Watson-Marlow Fluid Technology Solutions** is engineering vital fluid technology solutions that optimise the efficient use of resources and support advancements in global health, such as lifesaving vaccines and gene therapies.

Spirax Group is headquartered in Cheltenham (UK). We have 37 strategically located manufacturing plants around the world and are committed to creating a safe and inclusive working culture for our 10,000 colleagues, operating in 66 countries and serving 110,000 customers globally.

The Company's shares have been listed on the London Stock Exchange since 1959 (symbol: SPX) and we are a constituent of the FTSE 100 and the FTSE4Good Indexes.

* Eliminates scope 1 and 2 greenhouse gas emissions when connected to a green electricity source.

Further information can be found at spiraxgroup.com

RNS filter: Inside information prior to release
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SUMMARY FINANCIALS

12 months to 31st December	**2023**	2022	*y-o-y change*	
	£m	£m	*Organic**	*Reported*
SUMMARY FINANCIALS				
Steam Thermal Solutions (STS)	**910.1**	866.0	*+8%*	*+5%*
Electric Thermal Solutions (ETS)	**378.5**	256.1	*+2%*	*+48%*
Watson-Marlow	**394.0**	488.5	*-19%*	*-19%*
Group Revenue	**1,682.6**	1,610.6	*-1%*	*+4%*
STS	**205.2**	196.2		*+5%*
ETS	**25.8**	7.3		*+253%*
Watson-Marlow	**81.2**	154.4		*-47%*
Corporate	**(27.8)**	(39.1)		*-29%*
Group Statutory Operating Profit	**284.4**	318.8		*-11%*
STS	**22.5%**	22.7%		*-20bps*
ETS	**6.8%**	2.9%		*+390bps*
Watson-Marlow	**20.6%**	31.6%		*-1,100bps*
Group Statutory Operating Profit Margin	**16.9%**	19.8%		*-290bps*
STS	**224.0**	206.1	*+15%*	*+9%*
ETS	**59.2**	39.9	*-4%*	*+48%*
Watson-Marlow	**93.7**	160.0	*-43%*	*-41%*
Corporate	**(27.8)**	(25.8)	*+8%*	*+8%*
Group Adjusted Operating Profit*	**349.1**	380.2	*-12%*	*-8%*
STS	**24.6%**	23.8%	*+140bps*	*+80bps*
ETS	**15.6%**	15.6%	*-90bps*	*+0bps*
Watson-Marlow	**23.8%**	32.8%	*-1,030bps*	*-900bps*
Group Adjusted Operating Profit Margin*	**20.7%**	23.6%	*-270bps*	*-290bps*
Cashflow				
Statutory cash from operations	**298.6**	241.1		*+24%*
Adjusted cash from operations*	**281.7**	214.9		*+31%*
Adjusted cash conversion*	**81%**	57%		*+2400bps*
Net debt*	**666.7**	690.4		*-3%*
Leverage (net debt to EBITDA)*	**1.7x**	1.7x		

All adjusting measures are reconciled to their nearest statutory equivalent in the Appendix to the Financial Statements.

GROUP CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

I took over as Group Chief Executive Officer of Spirax-Sarco Engineering (now rebranded Spirax Group) on 16th January 2024, following Nick Anderson's retirement. Over the past ten years, under Nick's leadership, we have established strong positions in what are now three very significant Businesses with exciting future potential. I am grateful to Nick for bringing me into the Group and for laying the strong foundations that will support our journey in the years to come. I feel privileged to be leading Spirax Group and would like to thank the Board and my Group Executive Committee (GEC) colleagues for their support through this leadership transition.

Summary of 2023 performance

The macroeconomic environment was materially weaker in 2023. Global industrial production growth (IP) was 0.3% compared to 2.1% in 2022, with lower growth in all regions. IP was materially lower than the 1.4% that had been forecast at the beginning of the year with downward revisions to second half growth particularly marked in North America and China. The Group was also impacted by external demand challenges in our Biopharm and Semiconductor (Semicon[1]) sectors (which accounted for approximately 16% and 4% of 2022 proforma[2] sales respectively), due to customer destocking.

Against this backdrop, the Group's financial performance in 2023 was in line with the expectations we set out in our November 2023 trading update.

We saw strong demand during the first half in STS and the industrial process focused Divisions of ETS (Chromalox and Vulcanic). However, demand from industrial equipment customers of ETS was lower, particularly in Semicon, impacting Durex Industries and to a lesser extent, Thermocoax. Demand in Watson-Marlow was also weak, driven by Biopharm customers destocking post the COVID pandemic. As a result, Group sales grew organically by 2% in the first half, reflecting strong growth in STS (15%) and ETS (7%) offset by a decline in Watson-Marlow (21%).

In the second half, the macroeconomic backdrop weakened for STS and the industrial process focused Divisions of ETS, while Biopharm demand remained subdued and Semicon demand was lower than in the first half. Group sales declined organically by 4% in the second half, reflecting slower growth in STS (2%) and declines in ETS (2%) and Watson-Marlow (17%).

Group revenues in 2023 declined by 1% organically compared to 2022 (down 1.5% compared to proforma 2022 sales), to £1,682.6 million. Sales benefited from a full year's contribution from the Vulcanic and Durex Industries acquisitions but were also impacted by a currency headwind of 2% and a small adverse impact from the disposal of our Russian operations in 2022. Lower sales in our highest margin businesses impacted full year adjusted operating profit, which was down 12% organically to £349.1 million, with full year adjusted operating profit margin down by 270 bps, organically, to 20.7%. This outcome reflects our strong pricing discipline, which helped to partially mitigate the impact of lower volumes and adverse sales mix on our margin, even as cost inflationary pressures eased.

Recognising the challenging trading environment, we took early action across all three Businesses to appropriately right-size capacity and overhead support costs as well as implementing temporary cost containment actions and reducing variable compensation across the Group. As a result of these actions, Group adjusted operating profit in the second half grew by 3% compared to the first half, despite sales being lower. We protected our ability to respond to an anticipated recovery in demand by continuing to invest in a number of strategic initiatives that underpin the Group's long-term growth. I am grateful to my colleagues around the world for their commitment, expertise and efforts, as well as their continued focus on delivery for all stakeholders, during these more challenging times.

The Board has declared a final dividend of 114.0 pence (2022: 109.5 pence) per ordinary share, bringing the total dividend for the year to 160.0 pence. The total dividend for 2023 represents 5% growth compared to 2022, reflecting our confidence in the Group's business model, strategy and medium to long-term prospects extending our track record of dividend progress to 56 years.

Market environment

Industrial Production growth (IP)		2023			2022		
		H1	H2	**FY**	H1	H2	FY
Europe		-0.1%	0.2%	**0.0%**	2.2%	0.6%	1.4%
North America		0.7%	0.4%	**0.5%**	4.0%	2.8%	3.4%
South America		-1.1%	-1.6%	**-1.4%**	1.9%	1.3%	1.6%
Asia ex-China		-0.6%	1.8%	**0.6%**	4.0%	1.6%	2.8%
China		0.8%	0.5%	**0.6%**	0.5%	2.3%	1.4%
Global		0.0%	0.6%	**0.3%**	2.5%	1.7%	2.1%

Source: CHR Economics 26th February 2024

Global industrial production growth (IP) in 2023 was 0.3% compared to 2.1% in 2022, with lower growth in all regions. IP was also materially lower than had been forecast at the beginning of the year (1.4%) with downward revisions to second half growth particularly marked in North America and China. China's IP was expected to grow by 2.1% as it recovered from the weak 1.4% in 2022; instead, it grew by only 0.6% in 2023. Global IP fell sequentially in Q4 by 0.3% compared to Q3, despite an October 2023 forecast for sequential growth of 0.7%, evidencing the weakening outlook for industrial production heading into 2024.

In Biopharm (around 50% of Watson-Marlow's sales in 2023, down from around 60% in 2022), customer destocking, which began in the second half of 2022, continued and the recovery in demand that we had anticipated in the second half of 2023 did not materialise. During the second half of 2023, our customers began to indicate higher excess inventory levels than they had originally estimated, with a return to demand growth not expected until late 2024. Despite the challenges associated with forecasting short-term demand, the Biopharm end-markets remain robust and we believe that the underlying growth in demand has continued at its pre-pandemic rate of over 10% per annum.

In Semicon (around 11% of ETS sales in 2023, down from around 18% of proforma 2022 sales), demand in the first half was lower than we had anticipated and remained subdued through the second half, with our customers indicating a return to growth in 2024. Over the medium-term, Semicon remains an attractive and growing sector. We continue to anticipate strong demand for our niche solutions for precise thermal controls that are incorporated by Original Equipment Manufacturers (OEMs) into Wafer Fabrication Equipment (WFE) utilised in ultra-critical applications.

Other strategic sectors such as Food & Beverage, Oil & Gas and Power Generation proved resilient during 2023, while decarbonisation through electrification remains a growing strategic imperative for customers, reflected in the strong demand we have seen for our products and solutions in Chromalox and Vulcanic.

[1] Semicon refers to the Semiconductor Wafer Fabrication Sector

[2] Proforma comparisons include contributions from Vulcanic and Durex Industries, as if they had been fully owned by the Group throughout 2022

Strategic progress

Health and Safety[#]
As a result of our continued focus on Health and Safety (H&S) improvement, our all-workplace incident rate (excluding acquisitions) reduced by 11% to 1.55* in 2023.

The Group (excluding acquisitions) Lost Time Accidents (LTA) rate increased to 0.19* from 0.12* in 2022. The increase is in part attributable to our strengthened focus on monitoring and reporting. We have also introduced a category of Serious Lost Time Accidents (SLTA) and, while this increased from 7 to 8 in 2023, the rate remains low at 0.05%*.

Improving safety standards and processes in our most recent acquisitions, Vulcanic and Durex Industries, remains a key priority as we integrate these businesses into ETS. The all-workplace incident rate, LTA and SLTA rates of the two businesses in 2023 (7.55*, 1.32* and 0.47* respectively) reflect the lower priority that was given to measurement and processes around H&S under previous ownership. Both Vulcanic and Durex Industries have embraced our strong H&S focus, allowing us to build an active improvement programme.

In 2023, we introduced a five-year Group Safety Excellence Framework across all three Businesses. The framework aims to establish consistent oversight, align standards and reduce risk across all our operating companies globally, as well as evolving our H&S culture. Material areas of progress in 2023 included completion of an inventory and risk assessment of all machinery and expanding the compulsory personal protective equipment protocols. In 2024, we will conduct a global survey to better understand our H&S culture, complete a baseline of statutory inspections and introduce training to help our colleagues complete root cause analysis. In addition, as part of our commitment to continuous improvement, we have also commissioned an independent review of our approach to H&S.

[#] *We recognise the need to improve safety performance in our recent acquisitions. Therefore, Group data excludes acquisitions data, which is reported separately.*
[*] *Per 100,000 work hours.*

Expanding our addressable market
All three Group Businesses have continued to develop new solutions, supporting our direct sales engineers to drive growth in target sectors.

STS developed a new Customer Value Proposition to support lithium mining and the related electric vehicle battery sector, helping to expand our addressable market. Following commercial launch of the Group's 'TargetZero' solutions, STS has begun to build a pipeline of long-term opportunities amongst its extensive global customer base. Sales in 2023 included the 'ElectroFit' (a retrofit electric thermal solution to replace gas fired burners in steam generating boilers) installation at a Diageo site in Turkey (with a second to follow in 2024); a first fit 'SteamVolt' (electric boiler solution developed in partnership with our boiler OEM customers) installation for a global Food & Beverage customer in Argentina; and several UK installations of the Steam Battery (a storage solution for steam that can be generated by renewable energy or when electricity costs are at their lowest).

In ETS, Chromalox and Vulcanic have also continued to develop their decarbonisation project pipelines and drive penetration of Medium Voltage technology.

Watson-Marlow successfully transformed its operating model in the mining sector in Australia from a distributor-led approach to direct sales, helping to build customer proximity and strengthen its competitive advantage. Watson-Marlow also launched an important high flowrate range extension for its Qdos pump, targeting the industrial liquid/solid separation market which is an attractive new area of growth.

We also continued to make progress in implementing our digital strategy with an acceleration in the number of STS operating locations and customers that are digitally connected through the Cotopaxi platform, to support solution generation. Watson-Marlow has developed a number of machine-learning protocols aimed at delivering preventative maintenance benefits which will shortly be piloted in a number of sites within the mining sector.

Optimising supply chain effectiveness
Across the Group, we measure customer service levels using a number of metrics including on-time-to-request (OTTR). STS notably achieved a material improvement in its 2023 OTTR performance that had been impacted by supply chain challenges during 2022.

Watson-Marlow established a five-step process to drive operational excellence and efficiencies across its supply sites by delivering ongoing improvements in safety, productivity and procurement practices.

In October, ETS began construction of an expansion to Chromalox's manufacturing site in Ogden, Utah (USA), which will be dedicated to Medium Voltage heating solutions. The US$58 million project is expected to be completed towards the end of 2024, with production ramping-up in 2025.

Operating sustainably
The Group (excluding acquisitions) continued to improve its sustainability footprint. Energy usage was down by 8% compared to 2022, which supported a reduction of 6% in our absolute scope 1 and 2 market-based greenhouse gas emissions compared to 2022. To date we have achieved a 45% reduction against our 2019 baseline and are on track to achieve our targeted reduction of 50% by 2025. We now have green energy contracts in place for over 60% of the Group's electricity usage and made further progress in implementing Project ClearSky which will materially decarbonise the STS manufacturing facility in Cheltenham (UK).

Water consumption has also reduced across the Group, down by 20% compared to 2022. Building on the momentum of 78 biodiversity projects completed in 2022, a further 135 biodiversity projects were completed in 2023. An area where we recognise the need to make additional progress is reducing the Group's total waste sent to landfill, which remained at 10% in 2023, with additional resource added in this area to help deliver our target of 0% waste to landfill by 2025. Volunteering and community engagement are key elements of our One Planet Sustainability Strategy and 3,280 colleagues participated in volunteering activities (36% of the total number of colleagues), with the hours contributed rising by 13% compared to 2022.

Our Sustainability Strategy is being deployed within Vulcanic and Durex Industries.

Acquisitions and Disposals
During the year we continued to focus on the onboarding of Vulcanic and Durex Industries into ETS and the wider Group.

Our acquisition strategy is built around developing our suite of products and solutions with new and enhanced capabilities together with broadening our global presence. In July, we completed the acquisition of a 15% stake in Kyoto Group (Euronext ticker: KYOTO) as part of a strategic investment agreement alongside Iberdrola (IBE ticker: Iberdrola S.A.) to accelerate the decarbonisation of industrial process heat with Kyoto's proprietary 'Heatcube', a molten salt thermal energy storage solution. Through Vulcanic, we have been working with Kyoto since 2021 to provide the electric immersion heater and power control systems of 'Heatcube'. Our investment and partnership will support the commercial and technological development of electrical heaters for existing and future generations of 'Heatcube' and help drive market adoption.

In August 2023, Gestra (part of STS) acquired a small distributor in Malaysia, with whom they have worked closely in the past, to enhance our local presence and engineering capability to develop tailored solutions for the local customer base.

Further details of the operational progress made by each Business are set out in the Operating Review.

Group Executive Committee membership

For the majority of 2023, the Group Executive Committee (GEC) comprised the Managing Directors of our three Businesses, as well as key functional leaders across Finance, HR, Sustainability and Legal. In September 2023, we expanded GEC with the appointment of Maria Wilson, Group Digital Director. Phil Scott joined the GEC in January 2024, following his appointment as Interim Chief Financial Officer (CFO). In the summer, we will be joined by Louisa Burdett, who was appointed CFO in December 2023, and Céline Barroche who takes over as Group General Counsel and Company Secretary, succeeding Andy Robson who is retiring from the Group later this year. I'm delighted to have such a strong, capable and diverse leadership team.

Outlook and 2024 guidance

CHR's forecast for 2024 IP has reduced materially from the 2.6% expected in October 2023 to 1.7% currently, with growth weighted towards the second half (H1: 1.2%; H2: 2.1%). Against a backdrop of geopolitical unrest and continuing macroeconomic uncertainty, we remain cautious about the outlook for IP in 2024, particularly the forecast improvement in the second half.

If exchange rates at the end of February were to prevail for the remainder of the year, there would be a headwind impact of approximately 3% to 2023 sales and approximately 5% to 2023 adjusted operating profit.

In 2024, we anticipate mid to high-single-digit organic growth in Group revenues and low double-digit organic growth in Group adjusted operating profit, supported by our proven ability to grow ahead of IP and increased Biopharm and Semicon demand in the latter part of the year.

After absorbing the exchange rate headwinds outlined above, we expect modest progress in the Group adjusted operating profit margin compared to the 20.7% achieved in 2023. Adjusted operating profit in 2024 will be more second half weighted than usual, reflecting: exchange rate headwinds; the reversal of cost containment measures in the first half; and strong demand growth in the second half.

We anticipate adjusted cash conversion of approximately 75% in 2024 with capital expenditure as a proportion of sales of approximately 7%.

Medium-long term

Over the last decade we have evolved to become a highly differentiated specialist engineering Group of three complementary Businesses with strong capabilities in high value niche markets. Our products and solutions are critical to the operating efficiency and safety of our customers' industrial processes and increasingly, their sustainability goals. Our business model and strategy have delivered a track record of growing organically ahead of IP and industry-leading margins. Leveraging this uniquely differentiated business model to take advantage of the significant opportunities we have in long-term growth markets such as thermal efficiency, fluid path technology and decarbonisation, will enable us to continue delivering sustainable compounding growth at attractive margins over the coming years.

FINANCIAL PERFORMANCE

£m	FY 2022	Exchange	Organic	Acquisitions & disposals*	FY 2023	Organic	Reported
Revenue	1,610.6	(27.2)	(16.0)	115.2	1,682.6	-1%	+4%
Adjusted operating profit	380.2	(7.1)	(45.9)	21.9	349.1	-12%	-8%
Adjusted operating profit margin	23.6%				20.7%	-270bps	-290bps
Statutory operating profit	318.8				284.4		-11%
Statutory operating profit margin	19.8%				16.9%		-290bps

*Results include the impact of the acquisition of Vulcanic and Durex Industries and the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia.

To aid comparability with the prior year we refer to both organic and proforma performance measures in the commentary below. Organic performance measures include the contribution of Vulcanic and Durex Industries only for the like-for-like periods of ownership. Proforma comparisons include contribution from Vulcanic and Durex Industries, as if they had been fully owned by the Group throughout 2022.

Sales

Group sales grew by 4%, with full year contributions from Vulcanic and Durex Industries (acquired in late 2022) partly offset by the disposal of our Russian operations, which had a small adverse impact. Group sales were 1% lower organically, compared to 2022, being 2% higher in the first half and 4% lower in the second half.

Organic sales growth in STS (8%) was significantly ahead of IP albeit with strong first half growth of 15% moderating to 2% in the second half. Second half trading was characterised by weakening macroeconomic conditions, especially in China and Germany. Large project orders were higher, compared to 2022, with growth significantly weighted to the first half of the year, reflecting customers' weakening confidence in the economic outlook and reduction in capital investment through the course of the year.

Organic sales growth in ETS (2%) was supported by demand from industrial process heating customers in Chromalox. Thermocoax sales were flat, compared to 2022, due to lower demand from Semicon customers. Chromalox's manufacturing facility in Ogden, Utah (USA) continued to implement operational improvements aimed at increasing throughput, but sales lagged the even stronger growth in demand for bespoke solutions that deliver decarbonisation benefits. We remain focused on delivering higher sales from Ogden while also completing the facility expansion.

On a proforma basis, Vulcanic sales were higher, also supported by demand from industrial process heating customers. However, this growth was more than offset by significantly lower sales in Durex Industries due to lower demand from Semicon customers (accounting for approximately 55% of Durex Industries sales in 2022), with combined proforma sales down by 6%.

Watson-Marlow sales were down by 19% organically, driven by ongoing destocking by Biopharm customers, which began in the second half of 2022. During 2023, the organic decline in Biopharm sales was greater in the first half than in the second half as a result of the more challenging comparator. Biopharm sales remained broadly flat in the second half compared to the first half. Sales to Process Industries customers, which are more directly correlated to IP, were broadly flat in the first half, compared to 2022. In the second half of 2023, Process Industries demand was impacted by the weakening macroeconomic outlook, with sales broadly similar to the first half.

Adjusted operating profit

Group adjusted operating profit was down 8%, or 12% organically. Strong organic growth in adjusted operating profit in STS of 15%, driven by higher sales and cost containment initiatives, was offset by organic declines in operating profit in ETS (4%) and Watson-Marlow (43%). Watson-Marlow's adjusted operating profit includes a one-off charge in respect of excess Biopharm inventories in the second half.

Corporate expenses, which are included in adjusted operating profit, grew by 8% to £27.8 million (2022: £25.8 million). This increase reflects ongoing investment to support key strategic initiatives, partially offset by cost containment measures and reduced variable compensation. We expect corporate expenses in 2024 to increase at more than twice the rate of Group organic sales growth due to: increased investment in strategic initiatives; the reversal of cost containment measures in the first half; and an increase in variable compensation, subject to performance targets being achieved.

Adjusted operating profit margin

Group adjusted operating profit margin of 20.7% was down 270 bps organically, reflecting the impact of lower sales from our higher margin businesses, partially mitigated by strong price discipline even as cost inflationary pressures eased and the benefits of early restructuring and cost containment actions.

STS adjusted operating profit margin of 24.6% saw strong organic progression (up 140 bps), reflecting sales growth, cost containment initiatives and strong pricing discipline. Sequentially, the second half margin was slightly higher than the first half margin. However, the second half margin was impacted by weakening IP in China and Germany as well as a slowdown in large projects sales, resulting in a smaller organic increase than in the first half, compared to 2022.

The increase in the STS adjusted operating profit margin was offset by organic declines in ETS (90 bps) and Watson-Marlow (1,030 bps).

The organic decline in the ETS adjusted operating profit margin primarily reflects the impact of lower sales to customers in the higher margin Semicon sector, but also investments in onboarding costs for Vulcanic and Durex Industries and ongoing operational improvement initiatives in Chromalox's Ogden facility. On a proforma basis ETS adjusted profit margin (15.6%) was 300 bps lower, compared to 2022.

Chromalox and Thermocoax combined adjusted operating profit margin in the second half of 2023 was above both the first half of the year and the second half of 2022. Excluding onboarding costs, Vulcanic adjusted operating profit margin in 2023 was also higher, compared to 2022. Durex Industries suffered a significant decline in adjusted operating profit margin as a result of lower Semicon demand despite cost actions.

Watson-Marlow's adjusted operating profit margin of 23.8% fell by 1,030 bps organically. Although sales were broadly similar across the first half and second half, the second half adjusted operating profit margin benefited from restructuring actions taken during the first half, offset by a one-off charge in respect of excess Biopharm inventories.

Statutory operating profit and margin

Statutory operating profit decreased by 11% to £284.4 million (2022: £318.8 million) and the statutory operating profit margin of 16.9% was down 290 bps (2022: 19.8%). Statutory operating profit and statutory operating profit margin are impacted by the same drivers as explained in the adjusted operating profit sections above, as well as the reconciling items detailed below:

- Charges of £5.7 million relating to the acquisitions of Vulcanic and Gestra Malaysia. Included within this amount is a charge of £4.9 million which represents the fair value movement in deferred consideration payable by Vulcanic in relation to the acquisition of EML Manufacturing LLC in 2021
- A charge of £37.2 million (2022: £23.7 million) for the amortisation of acquisition-related intangible assets. The year-on-year increase was driven by a full year of amortisation of the intangible assets relating to Vulcanic and Durex Industries which were acquired in late 2022
- A charge of £1.3 million from the reversal of fair value adjustments to inventory on the acquisition of Vulcanic
- A profit of £0.4 million on the disposal of Econotherm (UK) Ltd, an associate investment
- A restructuring charge of £7.5 million in Watson-Marlow to appropriately right-size manufacturing capacity and reduce overhead support costs in order to offset the adverse impact of lower sales

volumes; and a £1.8 million charge in relation to the impairment of non-current assets in Watson-Marlow
- A credit of £2.3 million relating to the release of the provision held in Chromalox for the restructuring of its manufacturing operation in Soissons (France)
- A one-off impairment charge of £13.9 million relating to a global ERP programme implementation within STS (further details are set out in the STS operating review)

Net financing expense

Net financing expenses increased to £39.9 million (2022: £10.7 million) comprising £35.6 million of net bank interest (2022: £8.4 million), £2.1 million of interest on pension liabilities (2022: £0.8 million) and £2.2 million of interest on lease liabilities (2022: £1.5 million). Bank interest increased due to the full year impact of higher net debt following the acquisitions of Vulcanic and Durex Industries at the end of 2022, together with the refinancing of maturing fixed rate debt at higher interest coupons due to increases in market interest rates.

Profit before tax

Adjusted profit before tax was down 17% to £309.2 million (2022: £370.6 million), driven by an 8% decrease in adjusted operating profit and additional net financing expense. Statutory profit before tax was down 21% to £244.5 million (2022: £308.1 million). The reconciling items between adjusted profit before tax and statutory profit before tax are shown above and in the Appendix to the Financial Statements.

Taxation

The Group tax rate reflects the blended average of rates in tax jurisdictions around the world in which the Group operates. As expected, the Group adjusted effective tax rate increased by 50 bps to 25.5% (2022: 25.0%) and on a statutory basis the Group effective tax rate was 24.7% (2022: 27.0%). The increase in the Group adjusted effective tax rate was driven by changes in the Group's profit mix by tax jurisdiction, including the impact of a full year of ownership of Vulcanic and Durex Industries, together with the impact of increased withholding tax on intra-Group dividend payments when combined with lower adjusted profit.

The Group is subject to a local tax adjustment in Argentina that seeks to offset the impact of inflation on taxable profits. Given the current level of inflation in Argentina, this has a meaningful impact on the effective tax rate. While we include the expected impact of this adjustment in our guidance for the effective tax rate, this is difficult to accurately forecast given the current volatility of Argentinian inflation.

The Group monitors income tax developments in the countries in which it operates, including the OECD Base Erosion and Profit Shifting (BEPS) initiative to set a minimum global tax rate of 15% (Pillar Two). The main jurisdiction where this initiative may impact the Group is in Argentina as the impact of the inflation adjustment may result in a local tax rate that falls below 15%. As noted above, given the volatility of Argentinian inflation it is difficult to accurately forecast its impact on the Group's tax charge. The Group is continuing to monitor the impact of the Pillar Two income taxes legislation on its future financial performance.

On 8th June 2022, the European Union (EU) General Court published its decision on the appeals for annulment made against the European Commission's (EC) 2019 decision that certain aspects of the UK's Controlled Foreign Company regime constituted State Aid, finding in favour of the EC. The UK Government has appealed the decision of the EU General Court. Whilst the EU General Court ruling was in favour of the EC, our assessment is that there are grounds for successful appeal. As a result, we have continued to recognise a receivable of £4.9 million in the Consolidated Statement of Financial Position. This relates to the full amount paid to HM Revenue & Customs for Charging Notices received in 2021. We have not recognised a receivable for any repayment interest on the £4.9 million. The Group has not received a Charging Notice for either the benefit received prior to 2017, which is estimated to be £2.9 million, or the benefit received during 2019 of £1.1 million. No provisions have currently been recognised relating to these amounts and therefore they remain a contingent liability at 31st December 2023.

For 2024, we currently anticipate that the Group adjusted effective tax rate will increase by up to 100 bps, compared to 2023, to approximately 26.5% based on a forecast mix of profits and level of inflation in Argentina.

Earnings per share

Adjusted basic earnings per share decreased by 17% to 312.4 pence (2022: 377.2 pence), consistent with the decrease in adjusted operating profit and increased net financing costs. Statutory basic earnings per share were 249.5 pence (2022: 305.1 pence). The statutory fully diluted earnings per share were not materially different to the statutory basic earnings per share in either year.

Dividends

The Group has a progressive dividend policy, the aim of which is to provide sustainable, affordable dividend growth. The Group has a 55-year track record of dividend progress with a compound annual increase of 11% over that period.

The Board is proposing a final dividend of 114.0 pence per share for 2023 (2022: 109.5 pence) payable on 24th May 2024 to shareholders on the register at 26th April 2024. Together with the interim dividend of 46.0 pence per share (2022: 42.5 pence), the total dividend for the year is 160.0 pence per share, an increase of 5% on the total dividend of 152.0 pence per share in 2022. Dividend cover in 2023 will reduce to 2.0x, the lower end of the Group's target range of 2.0x to 2.5x, improving over the medium-term as a recovery in demand drives earnings growth.

The total amount paid in dividends during the year was £114.9 million, 11% above the £103.6 million paid in 2022.

Currency movements

The Group's Income Statement and Statement of Financial Position are exposed to movements in a wide range of different currencies. This stems from our direct sales business model, with a large number of local operating companies. These currency exposures and risks are managed through a rigorously applied Treasury Policy, typically using centrally managed and approved simple forward contracts to mitigate exposures to forecast future cash flows and avoiding the use of complex derivative transactions. The largest individual currency exposures are to the euro, US dollar, Chinese renminbi and Korean won. Whilst the size of the Group's businesses in Argentina is immaterial to the consolidated financial results, the level of volatility in the Argentinian peso has had a negative translational impact on Group reported financial performance. While currency effects can be significant, the structure of the Group provides some mitigation through our regional manufacturing presence, diverse spread of geographic locations and through the natural hedge of having a high proportion of our overhead costs in the local currencies of our operating companies.

Currency movements negatively impacted adjusted operating profit by 2% with a transactional benefit of £5.9 million being offset by a translational downside of £13.0 million. The translation downside reflects the impact of the strengthening of sterling in 2023 against the currencies in which the Group generated its adjusted operating profit. The main transactional exposure flow affecting the Group is the export of products from our factories in the UK, invoiced in sterling, less the import of goods from overseas Group factories and third parties priced predominately in euros and US dollars. The net exposure to transactional currency movements is approximately £120 million.

If exchange rates at the end of February were to prevail for the remainder of 2024, there would be a headwind impact of approximately 3% on 2023 sales, or approximately 2% excluding the significant devaluation of the Argentine peso in December 2023. On the same basis, the headwind impact on 2023 adjusted operating profit would be approximately 5%, or approximately 2% excluding the Argentine peso devaluation.

Financial Position and Cash Flow

Capital employed

	2023 £m	2022 £m
Property, plant and equipment	415.1	384.5
Right-of-use assets	98.4	67.2
Software & development costs	42.3	44.5
Non-current prepayments	1.9	2.0
Inventories	285.2	290.0
Trade receivables	299.8	341.1
Other current assets	71.4	79.6
Tax recoverable	13.6	19.0
Trade, other payables and current provisions	(260.7)	(295.0)
Current tax payable	(28.3)	(40.4)
Capital employed	**938.7**	**892.5**
Acquired intangibles including goodwill	1,087.0	1,159.1
Investment in Associate	3.0	-
Post-retirement benefits	(51.4)	(52.1)
Net deferred tax	(37.2)	(59.1)
Non-current provisions and long-term payables	(19.0)	(15.0)
Lease liabilities	(96.7)	(65.2)
Net debt	(666.7)	(690.4)
Net assets	**1,157.7**	**1,169.8**
Adjusted operating profit	349.1	380.2
Adjusted operating profit (excluding acquisitions, disposals and leases)	**317.7**	369.9
Average capital employed	**915.6**	775.9
Average capital employed (excluding acquisitions, disposals and leases)	**772.4**	677.5
Return on capital employed	**38.1%**	**49.0%**
Return on capital employed (excluding acquisitions, disposals and leases)	**41.1%**	**54.6%**

Capital employed increased by £46.2 million to £938.7 million at 31st December 2023. Tangible fixed assets (property, plant & equipment and right-of-use-assets) increased by £61.8 million to £513.5 million, principally as a result of the completion of the new manufacturing facility for Watson-Marlow in Devens, Massachusetts (USA) together with the commencement of the construction project to expand the Chromalox facility in Ogden, Utah (USA) in order to meet customer demand for Medium Voltage decarbonisation solutions.

Net capital expenditure in the period was £102.8 million. This was lower than anticipated as a result of changes in the phasing of payments on a number of large capital projects. In 2024, we expect the ratio of capital expenditure to sales to increase to 7% reflecting the impact of phasing delays from 2023 together with the ongoing expansion of the Ogden facility.

The capital intensity of our business is low with historic capital expenditure typically amounting to between 4% and 6% of sales. Excluding our investment in new construction projects, capital expenditure, as a percentage of sales, would be at the low end of our typical range.

Total working capital increased by £9.3 million and the ratio of working capital to sales was, as expected, 22.8% (2022: 22.8% on a proforma basis). It is expected that the working capital to sales ratio will remain at a consistent level in 2024.

Return on capital employed (ROCE)

ROCE reduced by 1,090 bps to 38.1% (2022: 49.0%). Excluding the impacts of acquisitions, disposals and leases, ROCE decreased by 1,350 bps to 41.1% (2022: 54.6%), driven by capital investments as well as the impact of the challenging trading environment on adjusted operating profit. ROCE is defined in the Appendix to the Financial Statements.

Return on invested capital (ROIC)

ROIC decreased by 480 bps to 13.5% (2022: 18.3%). Excluding the impacts of acquisitions, disposals and leases, ROIC decreased by 430 bps to 17.7% (2022: 22.0%), driven by a decrease in adjusted operating profit after tax. ROIC is defined in the Appendix to the Financial Statements.

Adjusted cash flow

Adjusted Cash flow	2023 £m	2022 £m
Adjusted operating profit	349.1	380.2
Depreciation and amortisation (excl. leased assets)	44.2	36.0
Depreciation of leased assets	16.2	13.4
Cash payments to pension schemes more than the charge to adjusted operating profit	(5.7)	(5.3)
Equity settled share plans	6.1	8.9
Working capital changes	(9.3)	(91.9)
Repayments of principal under lease liabilities	(16.1)	(12.9)
Capital expenditure (including software and development)	(102.8)	(117.5)
Capital disposals	-	4.0
Adjusted cash from operations	**281.7**	**214.9**
Net interest	(37.7)	(8.8)
Income taxes paid	(90.7)	(90.0)
Adjusted Free cash flow	**153.3**	**116.1**
Net dividends paid	(114.9)	(103.6)
Purchase of employee benefit trust shares/Proceeds from issue of shares	(10.8)	(19.0)
(Acquisitions)/Disposals of subsidiaries	(7.7)	(538.3)
Restructuring costs	(8.1)	(3.2)
Cash flow for the year	**11.8**	**(548.0)**
Exchange movements	11.9	(11.9)
Opening net debt	(690.4)	(130.5)
Net debt at 31 December	**(666.7)**	**(690.4)**
Lease liability	(96.7)	(65.2)
Net debt and lease liability at 31 December	**(763.4)**	**(755.6)**

Adjusted cash from operations is a measure of the cash flow generated from our operating companies. A reconciliation with statutory operating cash flow can be found in the Appendix to the Financial Statements.

Adjusted cash from operations of £281.7 million (2022: £214.9 million) was up £66.8 million, resulting in an improved adjusted cash conversion of 81% (2022: 57%). The improvement in cash conversion was driven by lower than anticipated capital expenditure (as outlined above) together with a lower working capital outflow which offset the fall in adjusted operating profit.

Tax paid in the period of £90.7 million (2022: £90.0 million) has remained relatively consistent year-on-year. Adjusted free cash flow of £153.3 million (2022: £116.1 million) has increased by 32% driven by improved adjusted cash from operations but negatively impacted by increased net interest payments in the period.

Dividend payments were £114.9 million (2022: £103.6 million) including payments to minority shareholders, and reflect the final dividend for 2022, as well as the interim dividend for 2023.

Share purchases, net of new shares issued for the Group's various employee share schemes, resulted in a cash outflow of £10.8 million (2022: £19.0 million) reflecting a lower vesting of the Group's Performance Share Plan.

Acquisitions (net of disposals) during the year amounted to £7.7 million (2022: £538.3 million), primarily reflecting the purchase by Gestra of a local Malaysian distributor and the acquisition of a 15% stake in Kyoto Group.

Restructuring spend of £8.1 million relates primarily to the right-sizing of capacity and overhead support costs undertaken in Watson-Marlow.

The £31.5 million increase in lease liabilities was largely driven by the lease commitment for the Watson-Marlow manufacturing facility in Devens, Massachusetts (USA).

Financing and Liquidity

Net debt (excluding leases) at the 31st December 2023 was £666.7 million (FY 2022: £690.4 million), with a net debt to EBITDA ratio of 1.7x (2022: 1.7x on a reported basis and 1.5x on a proforma basis).

As at the 31st December 2023, total committed and undrawn debt facilities amounted to £294.5 million alongside a net cash balance of £212.8 million. In the year, the Group issued €110m of new US Private Placement notes at a fixed coupon of 4.38% and entered into a Bank Term Loan of €90m in order to refinance the €225m of 1.05% fixed coupon notes that matured in September 2023. The average tenor of our debt is over four years with the next contractual repayment maturity in October 2025. In February 2024, the Group successfully exercised an option to extend the maturity of our £400 million committed, revolving credit facility by an additional year to April 2029.

OPERATING REVIEW

Steam Thermal Solutions

£m	FY 2022	Exchange	Organic	Acquisitions & disposals*	FY 2023	*Organic*	*Reported*
Revenue	866.0	(25.1)	70.5	(1.3)	**910.1**	*+8%*	*+5%*
Adjusted operating profit	206.1	(11.3)	29.3	(0.1)	**224.0**	*+15%*	*+9%*
Adjusted operating profit margin	23.8%				**24.6%**	*+140bps*	*+80bps*
Statutory operating profit	196.2				**205.2**		*+5%*
Statutory operating profit margin	22.7%				**22.5%**		*-20bps*

*Results include the impact of the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia.

STS delivered organic sales growth of 8%, which was significantly ahead of IP across all regions, despite a challenging macroeconomic outlook that weakened progressively through the year and particularly during the second half. Strong first half growth of 15% moderated to 2% in the second half driven by weaker IP in China and Germany, together with a slowdown in large orders compared to the first half.

Against this backdrop we implemented temporary cost containment measures while preserving investment and momentum in key growth initiatives (direct sales effectiveness, digital connected products and services, and decarbonisation solutions). As a result, full year adjusted operating profit of £224 million grew by 15% organically, with adjusted operating profit margin up 140 bps organically, reflecting price and cost discipline. Second half adjusted operating profit margin was slightly higher than in the first half of 2023 and the second half of 2022.

STS has both sales and manufacturing operations in Argentina, representing less than 1.5% of Group sales in 2023. Current levels of inflation and the extreme volatility in the Argentine peso exchange rate, as demonstrated by the large devaluation in December 2023, have created challenging operating conditions. While our local operating company prices with reference to the US dollar to protect against operating profit margin erosion, the Group's ability to repatriate cash generated in Argentina is currently limited. As a result, we are limiting inward investment into our Argentinian operations.

Statutory operating profit of £205.2 million was up 5% from £196.2 million in 2022 and the statutory operating profit margin of 22.5% decreased by 20 bps.

Since 2018, STS has been engaged in a project to upgrade its ERP systems, known as Project OPAL. Over time, the scope of the project has expanded substantially to include a wider range of business applications. In parallel, the external technology market has continued to evolve and the Group has also taken the decision to implement consistent ERP solutions across all three Businesses. Within STS, this will enhance future capability, in addition to leveraging the scale of the broader Group. This has resulted in an impairment charge to statutory operating profit of £13.9 million in relation to existing assets which will no longer provide future economic benefit.

Operating highlights
We launched our 'TargetZero' solutions in November 2022, to support the decarbonisation of industrial steam generation, and the first installation of 'ElectroFit' was completed during 2023 for Diageo in Turkey. Interest in these solutions continues to strengthen and decarbonisation remains a key long-term growth opportunity for STS, working in collaboration with ETS. However, the rate of adoption will depend on several factors including: the development of local infrastructure for the generation and transmission of electricity; the comparative cost of natural gas and electricity impacting operating costs as a result of decarbonisation; and customer ambition in achieving net zero greenhouse gas emissions, as well as their willingness to invest behind delivery of their targets.

As an industry leader, STS organised and chaired the first 'Sustainable Steam Symposium' in 2023 at Brunel University. This Symposium was centred around the latest developments in research, technology trials and pilot projects within the steam and thermal solutions industry, with a focus on the decarbonisation of steam generation and energy-saving innovations.

Throughout the year we have continued to develop new digitally enhanced customer solutions that extend our expertise beyond the onsite services provided by our field engineers. We saw a doubling in the number of connected customer sites, an increase in the number of reports generated for customers and strong sales of incremental products and services attributed directly to digital connections. By driving adoption of digital connections and developing our direct sales capability to deliver solutions based on richer data and additional insights, we believe we are laying strong foundations for further digitally enabled growth in STS.

STS has continued to expand its addressable market through the development of new solutions, targeting high growth sectors. For example, STS delivered exceptional growth in the lithium-ion battery sector in 2023, particularly in Asia Pacific, where we now have over 100 customers.

In line with our strategy of continuing to develop our local presence, in August 2023 Gestra acquired a distributor in Kuala Lumpur, Malaysia. This acquisition has expanded our local direct sales team as well as our customer base allowing us to further implement our business model focused on solution-selling and self-generated sales.

2024 outlook
We anticipate mid-single-digit organic sales growth in STS. Adjusted operating profit margin is expected to be lower than in 2023, reflecting exchange rate headwinds, the reversal of 2023 cost containment measures and increased revenue investments to support future growth.

Electric Thermal Solutions

£m	FY 2022	Exchange	Organic	Acquisitions & disposals*	**FY 2023**	*Organic*	*Reported*
Revenue	256.1	0.3	4.1	118.0	**378.5**	*+2%*	*+48%*
Adjusted operating profit	39.9	(1.0)	(1.7)	22.0	**59.2**	*-4%*	*+48%*
Adjusted operating profit margin	15.6%				**15.6%**	*-90bps*	*+0bps*
Statutory operating profit	7.3				**25.8**		*+253%*
Statutory operating profit margin	2.9%				**6.8%**		*+390bps*

*Results include the impact of the acquisitions of Vulcanic and Durex Industries.

While IP remains a key underlying driver of growth in ETS, secular trends in the decarbonisation and Semicon markets are important additional drivers. As expected, Semicon (18% of ETS proforma sales in 2022) sector demand remained weak through 2023, driven by customer destocking. Both Durex Industries and to a lesser extent Thermocoax (that focus on industrial equipment heating solutions) were impacted by slowing Semicon demand.

Demand growth in Chromalox and Vulcanic (that focus on industrial process heating solutions) was significantly ahead of IP. Growth was strongest in strategically important sectors such as Energy Transition, which includes decarbonisation solutions, leading to a significantly enhanced order book.

ETS sales were up 48% reflecting the contribution from the acquisitions of Vulcanic and Durex Industries. Excluding this contribution, sales were up 2% organically (H1: up 7%; H2: down 2%), reflecting growth in Chromalox but lower Semicon demand impacting Thermocoax sales, particularly in the second half.

Chromalox's manufacturing facility in Ogden, Utah (USA) continued to implement operational improvements aimed at increasing throughput but sales lagged the even stronger growth in demand for bespoke solutions that deliver decarbonisation benefits. We remain focused on delivering higher sales from Ogden while also completing the facility expansion. On a proforma basis, the combined sales of Vulcanic and Durex Industries were down 6%, compared to 2022, with strong growth at Vulcanic offset by lower sales at Durex Industries, which was impacted by lower Semicon demand.

ETS adjusted operating profit was up 48% due to the contribution from the acquisitions of Vulcanic and Durex Industries. Excluding the acquisitions, adjusted operating profit was broadly flat, compared to 2022, with adjusted operating profit margin impacted by continued investments in operational improvements in Chromalox and weaker growth in higher margin Thermocoax. Chromalox and Thermocoax combined adjusted operating profit margin in the second half of 2023 was above both the first half of the year and the second half of 2022.

On a proforma basis, the combined adjusted operating profit margin of the acquisitions was down year-on-year, driven by the impact of lower Semicon demand on Durex Industries, as well as investments in safety, systems and processes to more closely align the acquisitions with the Group's operating standards. The benefit of early cost actions taken at Durex Industries helped to mitigate the margin decline. Excluding onboarding costs, Vulcanic adjusted operating profit margin in 2023 was higher, compared to 2022.

ETS statutory operating profit was up 253% compared to 2022, reflecting restructuring charges relating to Chromalox EMEA that impacted the 2022 result, with the statutory operating profit margin of 6.8% up 390 bps.

Operating highlights

The integration of Vulcanic and Durex Industries, one of ETS's key priorities in 2023, continued to progress well with high levels of collaboration between the Chromalox and Vulcanic teams in areas such as sales training, deployment of pricing tools and new product development. Our dual brand strategy is being implemented in Vulcanic and Chromalox with particular benefits seen for customers in EMEA, as we migrated manufacturing of Chromalox products to Vulcanic sites in France and Spain following the closure of Chromalox's Soissons (France) site in 2022. ETS also completed a site rationalisation between Thermocoax and Durex Industries with the transfer of production from our Alpharetta, Georgia (USA) facility to Carey, Illinois (USA). Good progress continues to be made on improving safety and sustainability in line with Group operating standards.

Chromalox and Vulcanic have continued to drive growth in their target sectors, particularly focused on the industrial electrification opportunity, which has resulted in a significant increase in the ETS order book. During 2023, Chromalox supported Tesla with the development of its Cyber Truck manufacturing facility in San Antonio, Texas (USA).

In October, ETS began construction of an expansion to Chromalox's manufacturing site in Ogden, Utah (USA), which will be dedicated to Medium Voltage heating solutions. The US$58 million expansion is expected to be completed towards the end of 2024, with production ramping-up in 2025. In support of our commitment to sustainability, the facility will install ground source heat pump systems to efficiently heat and cool the facility with renewable energy. In addition, Chromalox's manufacturing facility in Nuevo Laredo (Mexico) completed a second solar panel system installation, which will lead to significant energy savings and emissions reductions.

2024 outlook

We anticipate high-single-digit organic sales growth in ETS supported by a return to demand growth in Semicon. Adjusted operating profit margin progress will be supported by improved operational performance and higher Semicon revenues, partly offset by onboarding costs in Vulcanic and Durex Industries, as well as pre-production costs for the expanded Ogden facility.

Watson-Marlow

£m	FY 2022	Exchange	Organic	Acquisitions & disposals*	**FY 2023**	*Organic*	*Reported*
Revenue	488.5	(2.4)	(90.6)	(1.5)	**394.0**	*-19%*	*-19%*
Adjusted operating profit	160.0	5.2	(71.5)	-	**93.7**	*-43%*	*-41%*
Adjusted operating profit margin	32.8%				**23.8%**	*-1,030bps*	*-900bps*
Statutory operating profit	154.4				**81.2**		*-47%*
Statutory operating profit margin	31.6%				**20.6%**		*-1,100bps*

*Results include the impact of the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia.

Watson-Marlow's trading continued to be impacted by customer destocking activity in the Biopharm sector throughout the year. Underlying demand remains strong, with Biopharm end-markets continuing to grow at the pre-pandemic rate of over 10% per annum. However, it became clear through 2023 that this demand would continue to be satisfied by excess inventory built up during the peak of the COVID pandemic. In Watson-Marlow this has resulted in Biopharm monthly sales remaining broadly flat throughout 2023.

Watson-Marlow sales declined by 19% organically, compared to 2022. Biopharm sales (which accounted for approximately 60% of Watson-Marlow sales in 2022) declined by close to 30% organically. The organic decline in Biopharm sales was larger in the first half than in the second half due to a more challenging comparator, with customer destocking having materially started in the second half of 2022.

Supported by the continued strong growth in Biopharm end-markets, we anticipate a return to sales growth during 2024. As evidenced by market commentary from a number of larger Biopharm OEMs, which are our customers, the precise timing and scale of the recovery remains challenging to predict with a wide range of views spanning from a recovery in the second half of 2024, through to recovery being delayed into 2025.

Sales to Process Industries customers, which are more directly correlated to IP, were broadly flat in the first half, compared to 2022. In the second half of 2023, Process Industries demand growth was impacted by the weakening macroeconomic outlook, with sales broadly similar to the first half. Process Industries sales also remained significantly ahead of pre-pandemic levels.

The benefits of early actions to address the weaker trading environment were realised in the second half of the year, mitigating the impact of lower sales on adjusted operating profit. While the adjusted operating profit margin declined by 1,030 bps organically, to 23.8%, the second half margin was impacted by a one-off charge in respect of excess Biopharm inventory.

Statutory operating profit was down 47% compared to 2022, while statutory operating profit margin was down 1,100 bps, reflecting costs of £9.3 million to appropriately right-size manufacturing capacity and reduce overhead support costs.

Operating highlights

Against a backdrop of challenging trading conditions, we took steps to offset the adverse impact of lower sales volumes on profitability. While most of the right-sizing was focused on UK and EMEA manufacturing operations, Watson-Marlow also closed its Flowsmart site in Delaware (USA) and transferred manufacturing to its newly built facility in Devens, Massachusetts (USA).

Restructuring and cost actions continued to be implemented during the second half, balancing the need to protect margins with maintaining business-readiness for an anticipated return to volume growth in 2024. In this context, we also continued to invest in developing new products and services.

Watson-Marlow began incorporating ISO 13485, a quality management system covering the design and manufacture of medical devices, into its product development process from October 2023. This is expected to become a requirement for products sold into cell and gene therapy markets.

Also in Biopharm, Watson-Marlow developed 'DriveSure' – a digitally enabled, pre-configurable pump and drive unit that can be customised for small spaces; and further developed its unique 'PureSU' (Pure Single-Use) assembly offering, which represents a powerful example of tailored customer solutions by providing customised connectivity for the fluid path between disparate pieces of end-user equipment.

Watson-Marlow continued to expand its addressable market in Process Industries by developing solutions for new and emerging sectors. Cell-based meat has been identified as a high potential area of future growth and Watson Marlow Germany is working with 'Cultivated B', the first company in the EU to apply for certification for its product. This initiative ties into Watson-Marlow's existing Future Foods focus where sales into precision fermented food manufacturers have more than doubled since 2021.

The Electric Vehicle (EV) battery market is another focus sector, especially for Watson-Marlow's Bredel product range. A key process step in EV battery manufacture is the production of the Nickel, Cobalt, Manganese (NCM) Ternary Precursors used in EV battery cathodes. Peristaltic hose pumps are the ideal technology for mixing and transferring these chemical slurries, which are vital to scale up EV battery production to meet global demand. The C42 Bredel pump has been developed to meet the specific technological needs of this sector.

2024 outlook
We anticipate high-single-digit organic sales growth supported by a return to growth in Biopharm demand in the latter part of the year, albeit there are a variety of views within the industry on the timing and scale of this recovery. This sales growth is expected to deliver a strong improvement in adjusted operating profit margin after absorbing the reversal of 2023 cost containment measures and an increase in variable compensation.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has processes in place to identify, evaluate and mitigate the Principal Risks that could have an impact on our performance. Following the annual review of the Risk Register, Principal Risks and the responses from the bottom-up risk review, as compared to 2022, the following changes were made:

Increased risks

1. Significant exchange rate movement – to reflect the increasing volatility of exchange rates across both developed and developing economies that we have witnessed in 2023. Mitigations against this risk include: maintaining a geographic spread of manufacturing; consideration of exchange rate exposures in the Group's manufacturing strategy; and entering into hedging arrangements where appropriate and in line with the Group Treasury Policy on hedging currency exchange movements.

2. Failure to realise acquisition objectives – the acquisitions of Vulcanic and Durex Industries in late 2022 require integration into the Group in order to align operating standards and deliver our acquisition objectives. The combined size of these two acquisitions result in an increased risk should the Group fail to realise its objectives. The key mitigation against this risk is regular monitoring of performance against the investment case.

Decreased risks

1. Loss of manufacturing output at any Group factory – to reflect lower risk of disruption than during the COVID pandemic as well as lower risk of labour and materials shortages than in the previous year.

2. Loss of a critical supplier – to reflect lower volatility in our upstream supply chain as markets have stabilised post the COVID pandemic and become more resilient in response to continuing geopolitical uncertainty. The Group has also diversified its supply chain by selectively expanding its supplier base in order to manage areas of concentration risk. Inflation in commodities has also eased.

We remain focused on climate change as an emerging risk given the increasing likelihood of climate-related hazards impacting the Group. We worked with a specialist third-party advisor to assess the likely impact of extreme weather events on our operating companies and asset base. The results of the assessment validated that, under current conditions, the residual impact of climate related risks in this context is not expected to be significant.

Our Risk Management report and the full list of Principal Risks, including how they have changed year-on-year, will be published in our 2023 Annual Report on 28th March 2024.

Spirax-Sarco Engineering plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31ST DECEMBER 2023

	Notes	2023 £m	2022 £m
ASSETS			
Non-current assets			
Property, plant and equipment		415.1	384.5
Right-of-use assets		98.4	67.2
Goodwill		680.5	703.3
Other intangible assets		448.8	500.3
Prepayments		1.9	2.0
Investment in Associate		3.0	-
Taxation recoverable		4.9	5.1
Deferred tax assets		31.0	69.0
		1,683.6	1,731.4
Current assets			
Inventories		285.2	290.0
Trade receivables		299.8	341.1
Other current assets		71.4	79.6
Taxation recoverable		8.7	13.9
Cash and cash equivalents	7	359.7	328.9
		1,024.8	1,053.5
Total assets		**2,708.4**	**2,784.9**
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables		251.2	283.0
Provisions		9.5	12.0
Bank overdrafts	7	146.9	85.1
Current portion of long-term borrowings	7	3.6	202.9
Short-term lease liabilities	7	14.5	14.1
Current tax payable		28.3	40.4
		454.0	637.5
Net current assets		**570.8**	**416.0**
Non-current liabilities			
Long-term borrowings	7	875.9	731.3
Long-term lease liabilities	7	82.2	51.1
Deferred tax liabilities		68.2	128.1
Post-retirement benefits		51.4	52.1
Provisions		7.6	6.2
Long-term payables		11.4	8.8
		1,096.7	977.6
Total liabilities		**1,550.7**	**1,615.1**
Net assets	2	**1,157.7**	**1,169.8**
Equity			
Share capital		19.8	19.8
Share premium account		90.1	88.1
Translation reserve		(60.4)	17.5
Other reserves		(12.9)	(23.4)
Retained earnings		1,120.3	1,067.0
Equity shareholders’ funds		1,156.9	1,169.0
Non-controlling interest		0.8	0.8
Total equity		**1,157.7**	**1,169.8**
Total equity and liabilities		**2,708.4**	**2,784.9**

Spirax-Sarco Engineering plc

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2023

	Notes	2023 £m	2022 £m
Revenue	2	**1,682.6**	**1,610.6**
Operating costs		(1,398.2)	(1,291.8)
Operating profit	2	**284.4**	**318.8**
Financial expenses		(51.2)	(16.3)
Financial income		11.3	5.6
Net financing expense	2, 3	(39.9)	(10.7)
Share of profit/(loss) of Associate		-	-
Profit before taxation		**244.5**	**308.1**
Taxation	4	(60.5)	(83.1)
Profit for the year		**184.0**	**225.0**
Attributable to:			
Equity shareholders		183.6	224.7
Non-controlling interest		0.4	0.3
Profit for the year		**184.0**	**225.0**
Earnings per share	5		
Basic earnings per share		249.5p	305.1p
Diluted earnings per share		248.9p	304.4p
Dividends	6		
Dividends per share		160.0p	152.0p
Dividends paid during the year (per share)		155.5p	140.0p

Spirax-Sarco Engineering plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2023

	Notes	2023 £m	2022 £m
Profit for the year		**184.0**	**225.0**
Items that will not be reclassified to profit or loss:			
Remeasurement loss on post-retirement benefits		(3.8)	(8.3)
Deferred tax on remeasurement loss on post-retirement benefits		1.1	1.8
		(2.7)	(6.5)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation and net investment hedges (loss)/gain		(77.9)	54.8
Transfer to Consolidated Income Statement of cumulative translation differences on disposal of subsidiaries		-	3.2
Gain/(loss) on cash flow hedges net of tax		5.0	(3.5)
		(72.9)	54.5
Total comprehensive income for the year		**108.4**	**273.0**
Attributable to:			
Equity shareholders		108.0	272.7
Non-controlling interest		0.4	0.3
Total comprehensive income for the year		**108.4**	**273.0**

Spirax-Sarco Engineering plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2023

	Share Capital £m	Share Premium Account £m	Translation reserve £m	Other reserves £m	Retained Earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total Equity £m
Balance at 1st January 2023	**19.8**	**88.1**	**17.5**	**(23.4)**	**1,067.0**	**1,169.0**	**0.8**	**1,169.8**
Profit for the year	**-**	**-**	**-**	**-**	**183.6**	**183.6**	**0.4**	**184.0**
Other comprehensive income/(expense):								
Foreign exchange translation and net investment hedges loss	-	-	(77.9)	-	-	(77.9)	-	(77.9)
Remeasurement loss on post-retirement benefits	-	-	-	-	(3.8)	(3.8)	-	(3.8)
Deferred tax on remeasurement loss on post-retirement benefits	-	-	-	-	1.1	1.1	-	1.1
Gain on cash flow hedges net of tax*	-	-	-	5.0	-	5.0	-	5.0
Total other comprehensive income/(expense) for the year	-	-	(77.9)	5.0	(2.7)	(75.6)	-	(75.6)
Total comprehensive income/(expense) for the year	**-**	**-**	**(77.9)**	**5.0**	**180.9**	**108.0**	**0.4**	**108.4**
Contributions by and distributions to owners of the Company:								
Dividends paid	-	-	-	-	(114.5)	(114.5)	(0.4)	(114.9)
Equity settled share plans net of tax	-	-	-	-	(13.1)	(13.1)	-	(13.1)
Issue of share capital	-	2.0	-	-	-	2.0	-	2.0
Employee Benefit Trust shares	-	-	-	5.5	-	5.5	-	5.5
Balance at 31st December 2023	**19.8**	**90.1**	**(60.4)**	**(12.9)**	**1,120.3**	**1,156.9**	**0.8**	**1,157.7**

* During the year, there has been a reclassification in relation to prior year deferred tax on cash flow hedges of £0.9m.

Other reserves represent the Group's cash flow hedges, capital redemption and Employee Benefit Trust reserves. The non-controlling interest is a 2.5% share of Spirax Sarco (Korea) Ltd held by employee shareholders.

Spirax-Sarco Engineering plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2022

	Share Capital £m	Share Premium Account £m	Translation reserve £m	Other reserves £m	Retained Earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total Equity £m
Balance at 1st January 2022	**19.8**	**86.3**	**(40.5)**	**(17.7)**	**961.1**	**1,009.0**	**1.0**	**1,010.0**
Profit for the year	**-**	**-**	**-**	**-**	**224.7**	**224.7**	**0.3**	**225.0**
Other comprehensive income/(expense):								
Foreign exchange translation and net investment hedges gain	-	-	54.8	-	-	54.8	-	54.8
Transfer to Consolidated Income Statement of cumulative translation differences on disposal of subsidiaries	-	-	3.2	-	-	3.2	-	3.2
Remeasurement loss on post-retirement benefits	-	-	-	-	(8.3)	(8.3)	-	(8.3)
Deferred tax on remeasurement loss on post-retirement benefits	-	-	-	-	1.8	1.8	-	1.8
Loss on cash flow hedges net of tax	-	-	-	(3.5)	-	(3.5)	-	(3.5)
Total other comprehensive income/(expense) for the year	-	-	58.0	(3.5)	(6.5)	48.0	-	48.0
Total comprehensive income/(expense) for the year	**-**	**-**	**58.0**	**(3.5)**	**218.2**	**272.7**	**0.3**	**273.0**
Contributions by and distributions to owners of the Company:								
Dividends paid	-	-	-	-	(103.1)	(103.1)	(0.5)	(103.6)
Equity settled share plans net of tax	-	-	-	-	(9.2)	(9.2)	-	(9.2)
Issue of share capital	-	1.8	-	-	-	1.8	-	1.8
Employee Benefit Trust shares	-	-	-	(2.2)	-	(2.2)	-	(2.2)
Balance at 31st December 2022	**19.8**	**88.1**	**17.5**	**(23.4)**	**1,067.0**	**1,169.0**	**0.8**	**1,169.8**

Spirax-Sarco Engineering plc

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Profit before taxation		244.5	308.1
Depreciation, amortisation and impairment		112.7	81.0
Loss/(profit) on disposal of property, plant and equipment		0.1	(1.4)
Cash payments to the pension schemes greater than the charge to operating profit		(5.7)	(5.3)
(Profit)/loss on disposal of subsidiaries/associates		(0.4)	7.0
Acquisition related costs		4.3	3.8
Restructuring related provisions and current asset impairments		(3.0)	10.2
Equity settled share plans		6.1	8.9
Net financing expense		39.9	10.7
Operating cash flow before changes in working capital and provisions		**398.5**	**423.0**
Decrease/(increase) in trade and other receivables		12.6	(56.3)
(Increase)/decrease in inventories		(13.1)	(58.3)
Increase/(decrease) in provisions		2.9	(0.8)
(Decrease)/increase in trade and other payables		(11.6)	23.5
Cash generated from operations		**389.3**	**331.1**
Income taxes paid		(90.7)	(90.0)
Net cash from operating activities		**298.6**	**241.1**
Cash flows from investing activities			
Purchase of property, plant and equipment		(84.0)	(104.3)
Proceeds from sale of property, plant and equipment		3.1	4.0
Purchase of software and other intangibles		(14.2)	(8.9)
Development expenditure capitalised		(7.2)	(4.3)
Disposal of businesses		0.5	(2.8)
Acquisition of businesses net of cash acquired	8	(5.2)	(460.3)
Interest received	3	11.3	5.6
Net cash used in investing activities		**(95.7)**	**(571.0)**
Cash flows from financing activities			
Proceeds from issue of share capital		2.0	1.8
Employee Benefit Trust share purchase		(12.8)	(20.8)
Repaid borrowings	7	(221.1)	(511.1)
New borrowings	7	192.8	1,008.8
Interest paid including interest on lease liabilities	3	(49.1)	(15.5)
Repayment of lease liabilities	7	(16.1)	(12.9)
Dividends paid (including minorities)	6	(114.9)	(103.6)
Net cash used in financing activities		**(219.2)**	**346.7**
Net change in cash and cash equivalents	7	**(16.3)**	**16.8**
Net cash and cash equivalents at beginning of the year		243.8	219.0
Exchange movement	7	(14.7)	8.0
Net cash and cash equivalents at end of the year	7	**212.8**	**243.8**
Borrowings	7	(879.5)	(934.2)
Net debt at end of the year	7	**(666.7)**	**(690.4)**
Lease liabilities	7	(96.7)	(65.2)
Net debt including lease liabilities at end of the year	7	**(763.4)**	**(755.6)**

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the United Kingdom (UK) and therefore comply with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. IFRS includes the standards and interpretations approved by the International Accounting Standards Board (IASB) including International Accounting Standards (IAS) and interpretations issued by the IFRS Interpretations Committee (IFRIC).

The financial information included in this News Release does not constitute statutory accounts of the Group for the years ended 31st December 2023 and 2022, although it is derived from those accounts. Statutory accounts for the year ended 31st December 2022 have been reported on by the Group's auditor and delivered to the Registrar of Companies. Statutory accounts for the year ended 31st December 2023 have been audited and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The report of the auditors for both years was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

If approved at the Annual General Meeting on 15th May 2024, the final dividend will be paid on 24th May 2024 to shareholders on the register at 26th April 2024. No scrip alternative to the cash dividends is being offered.

Copies of the Annual Report will be sent on 28th March 2024 to shareholders who have requested a hard copy and can be obtained from our office at Charlton House, Charlton Kings, Cheltenham, GL53 8ER. The Report will also be available on our website at www.spiraxgroup.com.

As outlined below, there have been no significant changes in accounting policies from those set out in the Spirax-Sarco Engineering plc 2022 Annual Report. The accounting policies have been applied consistently throughout the years ended 31st December 2022 and 31st December 2023.

NEW STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR

During the current year, the Group has applied the following amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) effective for annual periods that begin on or after 1st January 2023. Adoption has not had a material impact on the disclosures or on the amounts reported in these Financial Statements:

- IFRS 17 Insurance Contracts
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies
- Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules and
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The economies in Argentina and Turkey are subject to high inflation. IAS 29 (Financial Reporting in Hyperinflationary Economies) requires the following application:

(i) adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date

(ii) adjustment of the Consolidated Income Statement for inflation during the period and

(iii) translation of the Consolidated Income Statement at the period-end foreign exchange rate instead of an average rate

At 31st December 2023 the Group has performed a review of the impact of the application of IAS 29 and concluded that the adoption of IAS 29 is not required as its impact on the Consolidated Financial Statements is not material. The Group will continue to monitor and assess this position going forward.

NEW STANDARDS AND INTERPRETATIONS NOT YET APPLIED

At the date of authorisation of these Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1: Classification of liabilities as Current or Non-current
- Amendments to IAS 1: Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements and
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the Group in future periods.

GOING CONCERN

In determining the basis of preparation for the Consolidated Financial Statements, the Directors have considered the Group's available resources, current business activities and factors likely to impact on its future development and performance, which are described in the Chief Executive Officer's Review, Operating Review and Financial Review.

The Group's principal objective when managing liquidity is to safeguard the Group's ability to continue as a going concern for at least 12 months from the date of signing the 2023 Annual Report. The Group retains sufficient resources to remain in compliance with all the required terms and conditions within its borrowing facilities with material headroom and no material uncertainties have been identified. The Group continues to conduct ongoing risk assessments on its business operations and liquidity.

Consideration has also been given to reverse stress tests, which seek to identify factors that might cause the Group to require additional liquidity and form a view as to the probability of these occurring. The Group's financial position remains robust, with the next maturity of our committed debt facilities being US$150m million of Bank Term loans which mature in October 2025 and which are accounted for within the cash flow forecast. The Group's debt facilities contain a leverage covenant of up to 3.5x. Certain debt facilities also contain an interest cover covenant of a minimum of 3.0x. The Group regularly monitors its financial position to ensure that it remains within the terms of these debt covenants. At 31st December 2023 leverage (net debt excluding lease liabilities divided by adjusted earnings before interest, tax, depreciation and amortisation) was 1.7x (2022: 1.7x), interest cover (adjusted earnings before interest, tax, depreciation and amortisation divided by net bank interest) was 10x (2022: 58x).

Reverse 'stress testing' was also performed to assess what level of business underperformance would be required for a breach of the financial covenants to occur, the results of which evidenced that no reasonably possible change in future forecast cash flows would cause a breach of these covenants. In addition, the reverse stress test does not take into account any mitigating actions which the Group would implement in the event of a severe and extended revenue and profitability decline. Such actions would serve to further increase covenant headroom.

Following this assessment, the Board of Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in relation to this conclusion and preparing the Consolidated Financial Statements.

2. SEGMENTAL REPORTING

As required by IFRS 8 Operating Segments, the segmental structure reflects the current internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on resource allocation to each segment and to assess performance.

The Group is organised into three segments with the following core product expertise:

- Steam Thermal Solutions - Industrial and commercial steam systems
- Electric Thermal Solutions - Electrical process heating and temperature management solutions
- Watson-Marlow Fluid Technology Solutions - Peristaltic and niche pumps and associated fluid path technologies

No changes to the structure of operating segments have been made during the current period.

Analysis by operating segment

2023	**Revenue £m**	**Total operating profit £m**	**Operating profit margin %**
Steam Thermal Solutions	910.1	205.2	22.5%
Electric Thermal Solutions	378.5	25.8	6.8%
Watson-Marlow	394.0	81.2	20.6%
Corporate	-	(27.8)	
Total	**1,682.6**	**284.4**	**16.9%**
Net finance expense		(39.9)	
Profit before taxation		**244.5**	

2022	**Revenue £m**	**Total operating profit £m**	**Operating profit margin %**
Steam Thermal Solutions	866.0	196.2	22.7%
Electric Thermal Solutions	256.1	7.3	2.9%
Watson-Marlow	488.5	154.4	31.6%
Corporate		(39.1)	
Total	**1,610.6**	**318.8**	**19.8%**
Net finance expense		(10.7)	
Profit before taxation		**308.1**	

The following table details the split of revenue by geography for the combined Group:

	2023 £m	**2022 £m**
Europe, Middle East and Africa	718.7	649.6
Asia Pacific	357.4	384.3
Americas	606.5	576.7
Total revenue	**1,682.6**	**1,610.6**

Revenue generated by Group companies based in the USA is £454.2m (2022: £433.0m), in China is £177.8m (2022: £213.2m), in Germany is £153.2m (2022: £134.3m), in the UK is £110.0m (2022: £115.7m) and the rest of the world is £787.4m (2022: £714.4m).

Net financing income and expense

	2023			2022		
	Income £m	Expense £m	Net £m	Income £m	Expense £m	Net £m
Steam Thermal Solutions	4.1	(3.3)	0.8	3.6	(1.8)	1.8
Electric Thermal Solutions	0.8	(1.6)	(0.8)	0.3	(0.5)	(0.2)
Watson-Marlow	0.9	(1.2)	(0.3)	0.3	(0.6)	(0.3)
Corporate	5.5	(45.1)	(39.6)	1.4	(13.4)	(12.0)
Total net financing expense	**11.3**	**(51.2)**	**(39.9)**	**5.6**	**(16.3)**	**(10.7)**

Net assets

	2023		2022	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Steam Thermal Solutions	714.1	(203.7)	756.8	(219.2)
Electric Thermal Solutions	1,128.8	(82.7)	1,171.9	(80.2)
Watson-Marlow	429.3	43.6)	423.8	(55.3)
Corporate*	31.9	(1.1)	15.5	(7.4)
	2,304.1	(331.1)	2,368.0	(362.1)
Liabilities	(331.1)		(362.1)	
Net deferred tax	(37.2)		(59.1)	
Net tax payable	(14.7)		(21.4)	
Net debt including lease liabilities	(763.4)		(755.6)	
Net assets	**1,157.7**		**1,169.8**	

* In order to align with how we manage net assets across the Group, we have reallocated specific assets and liabilities to the corporate operating segment in both the current and the comparative periods.

Non-current assets in the USA were £689.1m (2022: £686.8m), in France were £388.7m (2022: £403.1m), in the UK were £251.1m (2022: £284.1m), in Germany were £161.0m (2022: £165.6m) and in the rest of the world were £193.7m (2022: 191.8m).

Capital additions, depreciation, amortisation and impairment

	2023		2022	
	Capital additions £m	Depreciation, amortisation and impairment £m	Capital additions £m	Depreciation, amortisation and impairment £m
Steam Thermal Solutions	48.2	47.9	43.8	32.9
Electric Thermal Solutions	32.2	40.3	285.4	24.7
Watson-Marlow	66.6	24.5	76.4	19.0
Corporate	14.1	-	3.3	4.4
Total	**161.1**	**112.7**	**408.9**	**81.0**

Capital additions include property, plant and equipment of £84.0m (2022: £135.0m) and intangible assets of £25.0m (2022: £258.3m). Right-of-use asset additions of £52.1m (2022: £15.6m) occurred during the 12-month period to 31st December 2023. Capital additions split between the USA £68.7m (2022: £186.4m), UK £43.6m (2022: £51.8m) and rest of world £48.8m (2022: £170.7m).

3. NET FINANCING INCOME AND EXPENSE

	2023 £m	2022 £m
Financial expenses:		
Bank and other borrowing interest payable	(46.9)	(14.0)
Interest expense on lease liabilities	(2.2)	(1.5)
Net interest on pension scheme liabilities	(2.1)	(0.7)
	(51.2)	(16.3)
Financial income:		
Bank interest receivable	11.3	5.6
Net financing expense	**(39.9)**	**(10.7)**
Net bank interest	(35.6)	(8.4)
Interest expense on lease liabilities	(2.2)	(1.5)
Net interest on pension scheme liabilities	(2.1)	(0.8)
Net financing expense	**(39.9)**	**(10.7)**

4. TAXATION

Analysis of charge in the year	2023 £m	2022 £m
UK corporation tax:		
Current tax on income for the year	9.4	7.1
Adjustments in respect of prior years	(0.1)	(0.7)
	9.3	**6.4**
Foreign tax:		
Current tax on income for the year	75.3	88.6
Adjustments in respect of prior years	(0.7)	(1.3)
	74.6	**87.3**
Total current tax charge	83.9	93.7
Deferred tax - UK	(10.7)	(1.1)
Deferred tax - Foreign	(12.7)	(9.5)
Tax on profit on ordinary activities	**60.5**	**83.1**

The Group's tax charge in future years will be affected by the proportion of profits arising and the effective tax rates in the various territories in which the Group operates. The rate may also be affected by the impact of any acquisitions.

The Group is subject to a tax adjustment in Argentina that seeks to offset the impact of inflation upon taxable profits. Given the current high levels of inflation in Argentina, this has a meaningful impact on the Group's tax charge. The adjustment gave a reduction in the Group's effective tax rate in the year of 260 bps being £6.4m on a statutory basis (2022: 180 bps being £5.5m). Whilst we include the expected impact of this adjustment in our guidance for the effective tax rate, this is difficult to accurately forecast given the current volatility of Argentinian inflation.

The Group monitors income tax developments in the territories in which it operates. On 14th July 2023, the government of the United Kingdom, where the Group's parent company is incorporated, enacted the Pillar Two income taxes legislation effective from 1st January 2024. Under the legislation, the parent company will be required to pay top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15%. The main jurisdiction where this initiative may impact is Argentina. As noted above, given the volatility of Argentinian inflation it is difficult to accurately forecast the impact that this Base Erosion and Profit Shifting (BEPS) initiative will have on the Group's tax charge. The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance. The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

In October 2017, the European Commission (EC) opened a State Aid investigation into the UK's Controlled Foreign Company (CFC) regime. In April 2019, the EC published its final decision that the UK CFC Finance Company Exemption (FCE) constituted State Aid in certain circumstances, following which the UK Government appealed the decision to the EU General Court. In June 2022, the EU General Court dismissed the UK Government's appeal following which the UK Government lodged a further appeal to the European Court of Justice. The UK Government's appeal has been heard but no decision has been released. Like other UK Groups, the Group submitted its own appeal against the EC's decision.

The Group's benefit from the FCE in the period from 1st January 2013 to 31st December 2023 is approximately £8.9m, including compound interest. To date, the Group has received, paid, and appealed Charging Notices totalling £4.9m, assessed for the period from 1st January 2017 to 31st December 2018. The Group expects to recover this in the event of a successful appeal and has recognised a receivable for the full amount at the year end balance sheet date as non-current asset. The Group has not recognised a receivable for any repayment interest, estimated at £0.2m, on the amount of £4.9m. The Group has not received a Charging Notice for the period prior to 1st January 2017, the benefit for this period being £2.9m. HMRC has enquired into the benefit received during 2019, which the Group estimates to be £1.1m. No provisions have been recognised at the year end balance sheet date for either the Charging Notice amounts or for the estimates for the other periods.

5. EARNINGS PER SHARE

	2023	2022
Profit attributable to equity shareholders (£m)	183.6	224.7
Weighted average shares (million)	73.6	73.6
Dilution (million)	0.2	0.2
Diluted weighted average shares (million)	73.8	73.8
Basic earnings per share	**249.5p**	**305.1p**
Diluted earnings per share	**248.9p**	**304.4p**

Basic and diluted earnings per share calculated on an adjusted profit basis are included in the Appendix. The dilution is in respect of the Performance Share Plan.

6. DIVIDENDS

	2023 £m	2022 £m
Amounts paid in the year:		
Final dividend for the year ended 31st December 2022 of 109.5p (2021: 97.5p) per share	80.7	71.9
Interim dividend for the year ended 31st December 2023 of 46.0p (2022: 42.5p) per share	33.8	31.2
Total dividends paid	**114.5**	**103.1**
Amounts arising in respect of the year:		
Interim dividend for the year ended 31st December 2023 of 46.0p (2022: 42.5p) per share	33.8	31.2
Proposed final dividend for the year ended 31st December 2023 of 114.0p (2022: 109.5p) per share	84.0	80.8
Total dividends arising	**117.8**	**112.0**

7. ANALYSIS OF CHANGES IN NET DEBT, INCLUDING CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2023	At 1st Jan 2023 £m	Cash flow £m	Acquired debt* £m	Exchange movement £m	At 31st Dec 2023 £m
Current portion of long-term borrowings	(202.9)				(3.6)
Non-current portion of long-term borrowings	(731.3)				(875.9)
Total borrowings	**(934.2)**				**(879.5)**
Lease Liabilities	(65.2)	16.1	(49.9)	2.3	(96.7)
Borrowings	(934.2)	28.3	-	26.4	(879.5)
Changes in liabilities arising from financing	**(999.4)**	**44.4**	**(49.9)**	**28.7**	**(976.2)**
Cash at bank	328.9	46.5	-	(15.7)	359.7
Bank overdrafts	(85.1)	(62.8)	-	1.0	(146.9)
Net cash and cash equivalents	**243.8**	**(16.3)**	**-**	**(14.7)**	**212.8**
Net debt and lease liabilities	**(755.6)**	**28.1**	**(49.9)**	**14.0**	**(763.4)**
Net debt including lease liabilities	**(690.4)**	**12.0**	**-**	**11.7**	**(666.7)**

* Debt acquired includes both debt acquired due to acquisition, and debt recognised on the balance sheet due to entry into new leases and disposal of existing leases.

The net cashflow from borrowings of £28.3m consists of £192.8m of new borrowings and £221.1m of repaid borrowings.

During the year £46.9m of interest on external borrowings (2022: £14.0m) was incurred and paid.

At 31st December 2023 total lease liabilities consist of £14.5m (2022: £14.1m) short-term and £82.2m (2022: £51.1m) long-term.

2022	At 1st Jan 2022 £m	Cash flow £m	Acquired debt* £m	Disposal of subsidiaries £m	Exchange movement £m	At 31st Dec 2022 £m
Current portion of long-term borrowings	(59.6)					(202.9)
Non-current portion of long-term borrowings	(289.9)					(731.3)
Total borrowings	**(349.5)**					**(934.2)**
Lease Liabilities	(60.1)	12.9	(15.2)	-	(2.8)	(65.2)
Borrowings	(349.5)	(497.7)	(67.0)	-	(20.0)	(934.2)
Changes in liabilities arising from financing	**(409.6)**	**(484.8)**	**(82.2)**	**-**	**(22.8)**	**(999.4)**
Cash at bank	274.6	46.3	-	(2.8)	10.8	328.9
Bank overdrafts	(55.6)	(26.7)	-	-	(2.8)	(85.1)
Net cash and cash equivalents	**219.0**	**19.6**	**-**	**(2.8)**	**8.0**	**243.8**
Net debt and lease liabilities	**(190.6)**	**(465.2)**	**(82.2)**	**(2.8)**	**(14.8)**	**(755.6)**
Net debt excluding lease liabilities	**(130.5)**	**(478.1)**	**(67.0)**	**(2.8)**	**(12.0)**	**(690.4)**

8. PURCHASE OF BUSINESSES

During the period, the Group acquired distributors resulting in a total cash outflow of £5.2m and creating acquired intangibles of £3.6m. Additionally, during the period the fair value of the assets acquired as part of the acquisitions of Vulcanic (and its related companies) and Durex Industries were reassessed, leading to an immaterial decrease in goodwill for Durex Industries and an offsetting immaterial increase in goodwill for Vulcanic.

9. RESPONSIBILITY STATEMENT OF THE DIRECTORS ON THE ANNUAL REPORT

The Responsibility Statement below has been prepared in connection with the Company's full Annual Report for the year ending 31st December 2023. Certain parts thereof are not included within this announcement. We confirm to the best of our knowledge:

- the Financial Statements, prepared in accordance with IFRS as adopted by the UK, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the Principal Risks and uncertainties they face
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's performance, business model and strategy

This Responsibility Statement was approved by the Board of Directors on 6th March 2024 and is signed on its behalf by:

N.B. Patel, Group Chief Executive Officer

10. CAUTIONARY STATEMENT

All statements other than statements of historical fact included in this document, including, without limitation, those regarding the financial condition, results, operations and businesses of Spirax-Sarco Engineering plc and its strategy, plans and objectives and the markets and economies in which it operates, are forward-looking statements. These forward-looking statements which reflect management's assumptions made on the basis of information available to it at this time, involve known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of Spirax-Sarco Engineering plc or the markets and economies in which we operate to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Spirax-Sarco Engineering plc and its Directors accept no liability to third parties in respect of this report save as would arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with schedule 10A of the Financial Services and Markets Act 2000. It should be noted that schedule 10A contains limits on the liability of the Directors of Spirax-Sarco Engineering plc so that their liability is solely to Spirax-Sarco Engineering plc.

11. EXCHANGE RATE IMPACTS

Whilst not an IFRS disclosure or part of the audited accounts, set out below is an additional disclosure that highlights the movements in a selection of exchange rates between 2023 and 2022. Exchange rates to sterling have been as follows:

	Average 2023	Average 2022	Change %	Closing 2023	Closing 2022	Change %
US dollar	1.24	1.24	+0%	1.27	1.21	-5%
Euro	1.15	1.17	+2%	1.15	1.13	-2%
Chinese renminbi	8.80	8.32	-6%	9.03	8.34	-8%
Korean won	1,626	1,587	-2%	1,648	1,525	-8%
Brazilian real	6.22	6.41	+3%	6.18	6.39	+3%
Argentine peso	383	162	-136%	1,029	214	-381%

A negative movement indicates a strengthening in sterling versus that currency. When sterling strengthens against other currencies in which the Group operates, the Group incurs a loss on translation of the financial results into sterling. On a translation basis, sales decreased by 1.7% and adjusted operating profit decreased by 3.4%, while transactional currency impacts increased profit by 1.6%, giving a total decrease to profit from currency movements of 1.9%.

Appendix – Alternative performance measures

The Group reports under IFRS and also uses alternative performance measures where the Board believe that they help to effectively monitor the performance of the Group and users of the Financial Statements might find them informative. Certain alternative performance measures also form a meaningful element of Executive Directors' variable remuneration. Net debt to EBITDA is also a covenant assessed for external borrowing purposes. A definition of the alternative performance measures is included in the Annual Report and a reconciliation to the closest IFRS equivalent are disclosed below. The term 'adjusted' is not defined under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. Adjusted performance measures are not considered to be a substitute for, or superior to, IFRS measures.

Adjusted operating profit

Adjusted operating profit excludes items that are considered to be significant in nature and/or quantum at either a Group or an operating segment level and where treatment as an adjusted item provides stakeholders with additional useful information to assess the period-on-period trading performance of the Group. The Group excludes such items including those defined as follows:

- Amortisation and impairment of acquisition-related intangible assets
- Costs associated with the acquisition or disposal of businesses
- Gain or loss on disposal of a subsidiary and/or disposal groups
- Reversal of acquisition-related fair value adjustments to inventory
- Changes in deferred and contingent consideration payable on acquisitions
- Costs associated with a material restructuring programme
- Material gains or losses on disposal of property
- Accelerated depreciation, impairment and other related costs on non-recurring, material property redevelopments
- Material non-recurring pension costs or credits
- Costs or credits arising from regulatory and litigation matters
- Other material items which are considered to be non-recurring in nature and/or are not a result of the underlying trading of the business
- Related tax effect on adjusting items above and other tax items which do not form part of the underlying tax rate

A reconciliation between operating profit as reported under IFRS and adjusted operating profit is given below.

	2023 **£m**	**2022** **£m**
Operating profit as reported under IFRS	**284.4**	**318.8**
Amortisation of acquisition-related intangible assets	37.2	23.7
Software related impairment	13.9	-
Acquisition-related items	5.7	9.1
Restructuring costs	5.2	15.5
Asset related impairment	1.8	-
Reversal of acquisition-related fair value adjustments to inventory	1.3	1.8
Disposal of associate	(0.4)	-
Disposal of subsidiaries in Russia	-	7.1
Accelerated depreciation and other related costs on one-off property redevelopments	-	4.2
Total adjusting items	**64.7**	**61.4**
Adjusted operating profit	**349.1**	**380.2**

Tax on adjusting items	2023			2022		
	Adjusted £m	Adj't £m	Total £m	Adjusted £m	Adj't £m	Total £m
UK Corporation tax	9.3	-	9.3	6.6	(0.2)	6.4
Foreign tax	80.7	(6.1)	74.6	88.1	(0.8)	87.3
Deferred tax	(11.2)	(12.2)	(23.4)	(2.2)	(8.4)	(10.6)
Total taxation	**78.8**	**(18.3)**	**60.5**	**92.5**	**(9.4)**	**83.1**
Effective tax rate	**25.5%**	**28.3%**	**24.7%**	**25.0%**	**15.0%**	**27.0%**

Adjusted earnings per share

	2023	2022
Profit for the year attributable to equity holders as reported under IFRS (£m)	**183.6**	**224.7**
Items excluded from adjusted profit (£m)	64.7	62.5
Tax effects on adjusted items (£m)	(18.3)	(9.4)
Adjusted profit for the year attributable to equity holders (£m)	**230.0**	**277.8**
Weighted average shares (million)	73.6	73.6
Basic adjusted earnings per share	**312.4p**	**377.2p**
Diluted weighted average shares (million)	73.8	73.8
Diluted adjusted earnings per share	**311.8p**	**376.3p**

Basic adjusted earnings per share is defined as adjusted profit for the period attributable to equity holders divided by the weighted average number of shares in issue. Diluted adjusted earnings per share is defined as adjusted profit for the period attributable to equity holders divided by the diluted weighted average number of shares.

Basic and diluted EPS calculated on an IFRS profit basis are included in Note 5.

Dividend Cover

The Group monitors dividend cover to ensure this remains within the Group's expected range. Dividend cover is calculated as adjusted earnings per share divided by dividends per share.

Adjusted cash flow

A reconciliation showing the items that bridge between net cash from operating activities as reported under IFRS to an adjusted basis is given below. Adjusted cash from operations is used by the Board to monitor the performance of the Group, with a focus on elements of cashflow, such as net capital expenditure, which are subject to day-to-day control by the business.

	2023 £m	2022 £m
Net cash from operating activities as reported under IFRS	**298.6**	**241.1**
Restructuring and acquisition-related costs	10.8	10.2
Net capital expenditure excluding acquired intangibles from acquisitions	(102.3)	(113.5)
Income tax paid	90.7	90.0
Repayments of principal under lease liabilities	(16.1)	(12.9)
Adjusted cash from operations	**281.7**	**214.9**

Adjusted cash conversion in 2023 is 81% (2022: 57%). Cash conversion is calculated as adjusted cash from operations divided by adjusted operating profit.

Cash generation

Cash generation is one of the Group's key performance indicators used by the Board to monitor the performance of the Group and measure the successful implementation of our strategy. It is one of two financial measures on which Executive Directors' variable remuneration is based.

Cash generation is adjusted operating profit after adding back depreciation and amortisation, less cash payments to pension schemes in excess of the charge to adjusted operating profit, equity settled share plans, net capital expenditure excluding acquired intangibles, working capital changes and repayment of principal under lease liabilities. Cash generation is equivalent to adjusted cash from operations, a reconciliation between this and net cash from operating activities as reported under IFRS is shown above.

Return on invested capital (ROIC) and return on capital employed (ROCE)
The Group distinguishes between invested capital and capital employed when calculating return on capital. Invested capital represents the total capital invested in the business and is equal to total equity plus net debt and therefore includes the impact of acquisitions and disposals. Capital employed is invested capital less certain non-current assets and non-current liabilities and therefore reflects capital that is more operational in nature. Both of these return metrics are used to ensure a full assessment of business performance.

Return on invested capital (ROIC)
ROIC measures the post-tax return on the total capital invested in the Group. It is calculated as adjusted operating profit after tax divided by average invested capital. Average invested capital is defined as the average of the closing balance at the current and prior year end. Taxation is calculated as adjusted operating profit multiplied by the adjusted effective tax rate.

An analysis of the components is as follows:

	2023 **£m**	**2022** **£m**
Total equity	1,157.7	1,169.8
Net debt including lease liabilities	763.4	755.6
Total invested capital	**1,921.1**	**1,925.4**
Average invested capital	**1,923.2**	**1,563.0**
Average invested capital (excluding acquisitions, disposals and leases)	**1,336.4**	**1,263.8**
Operating profit as reported under IFRS	284.4	318.8
Adjustments (see adjusted operating profit)	64.7	61.4
Adjusted operating profit	**349.1**	380.2
Taxation	(89.0)	(94.9)
Adjusted operating profit after tax	**260.1**	**285.3**
Adjusted operating profit after tax (excluding acquisitions, disposals and leases)	**236.7**	**277.6**
Return on invested capital	**13.5%**	**18.3%**
Return on invested capital (excluding acquisitions, disposals and leases)	**17.7%**	**22.0%**

Return on capital employed (ROCE)

ROCE measures effective management of fixed assets and working capital relative to the profitability of the business. It is calculated as adjusted operating profit divided by average capital employed. Average capital employed is defined as the average of the closing balance at the current and prior year end. More information on ROCE can be found in the Capital Employed and ROCE sections of the Financial Review.

An analysis of the components is as follows:

	2023 £m	2022 £m
Property, plant and equipment	415.1	384.5
Right-of-use assets	98.4	67.2
Software and development costs	42.3	44.5
Prepayments	1.9	2.0
Inventories	285.2	290.0
Trade receivables	299.8	341.1
Other current assets	71.4	79.6
Tax recoverable	13.6	19.0
Trade, other payables and current provisions	(260.7)	(295.0)
Current tax payable	(28.3)	(40.4)
Capital employed	**938.7**	**892.5**
Average capital employed	**915.6**	**775.9**
Average capital employed (excluding acquisitions, disposals and leases)	**772.4**	**677.5**
Operating profit	284.4	318.8
Adjustments (see adjusted operating profit)	64.7	61.4
Adjusted operating profit	**349.1**	**380.2**
Adjusted operating profit (excluding acquisitions, disposals and leases)	**317.7**	**369.9**
Return on capital employed	**38.1%**	**49.0%**
Return on capital employed (excluding acquisitions, disposals and leases)	**41.1%**	**54.6%**

A reconciliation of capital employed to net assets as reported under IFRS and disclosed on the Consolidated Statement of Financial Position is given below.

	2023 £m	2022 £m
Capital employed	**938.7**	**892.5**
Goodwill and acquired intangibles	1,087.0	1,159.1
Investment in associate	3.0	-
Post-retirement benefits	(51.4)	(52.1)
Net deferred tax	(37.2)	(59.1)
Non-current provisions and long-term payables	(19.0)	(15.0)
Lease liabilities	(96.7)	(65.2)
Net debt	(666.7)	(690.4)
Net assets as reported under IFRS	**1,157.7**	**1,169.8**

Net debt including lease liabilities

A reconciliation between net debt and net debt including lease liabilities is given below. A breakdown of the balances that are included within net debt is given within Note 7. Net debt excludes lease liabilities to be consistent with how net debt is defined for external debt covenant purposes, as well as to enable comparability with prior years.

	2023 £m	2022 £m
Net debt	666.7	690.4
Lease liabilities	96.7	65.2
Net debt including lease liabilities	**763.4**	**755.6**

Net debt to earnings before interest, tax, depreciation and amortisation (EBITDA)

To assess the size of the net debt balance relative to the size of the earnings for the Group we analyse net debt as a proportion of EBITDA. EBITDA is calculated by adding back depreciation and amortisation of owned property, plant and equipment, software and development to adjusted operating profit. For half year calculations, this is based on the results for the last 12 months all translated at the exchange rate used for the half year period. Net debt is calculated as cash and cash equivalents less Bank overdrafts, short-term borrowings and long-term borrowings (excluding short-term and long-term lease liabilities). The net debt to EBITDA ratio is calculated as follows:

	2023 £m	2022 £m
Adjusted operating profit	349.1	380.2
Depreciation and amortisation of property, plant and equipment, software and development	44.2	37.4
Acquisitions and disposals proforma basis (EBITDA)	-	33.7
EBITDA	**393.3**	**451.3**
Net debt	**666.7**	**690.4**
Net debt to EBITDA	**1.7x**	**1.5x**

The components of net debt are disclosed in Note 7.

Organic measures

As we are a multi-national Group of companies, who trade in a large number of foreign currencies and also acquire and sometimes dispose of companies, we also refer to organic performance measures throughout the News Release. These strip out the effects of the movement of foreign currency exchange rates and of acquisitions and disposals. The Board believe that this allows users of the accounts to gain a further understanding of how the Group has performed. Exchange translation movements are assessed by re-translating prior period reported values to current period exchange rates. Exchange transaction impacts on operating profit are assessed on the basis of transactions being at constant currency between years.

The incremental impact of any acquisitions that occurred in either the current period or prior period is excluded from the organic results of the current period at current period exchange rates. For any disposals that occurred in the current or prior period, the current period organic results include the difference between the current and prior period financial results only for the like-for-like period of ownership.

The organic percentage movement is calculated as the organic movement divided by the prior period at current period exchange rates, excluding disposals for the non like-for-like period of ownership. The organic bps change in adjusted operating profit margin is the difference between the current period margin, excluding the incremental impact of acquisitions, and the prior period margin excluding disposals for the non like-for-like period of ownership at current period exchange rates.

A reconciliation of the movement in revenue and adjusted operating profit compared to the prior period is given below.

	2022 £m	Exchange £m	Organic £m	Acquisitions and disposal[1] £m	2023 £m	Organic	Reported
Revenue	**1,610.6**	(27.2)	(16.0)	115.2	**1,682.6**	-1%	+4%
Adjusted operating profit	**380.2**	(7.1)	(45.9)	21.9	**349.1**	-12%	-8%
Adjusted operating profit margin	**23.6%**				**20.7%**	-270 bps	-290 bps

[1] Results include the impact of (i) the acquisition of Vulcanic and Durex Industries and (ii) the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia.

Proforma Revenue

Due to the disposal of our Russian operating companies and the acquisitions of Cotopaxi Limited, Vulcanic and Durex Industries, our reported financial results for 2022 only include the impact of these operations for the period of ownership by the Group. The table below reconciles between statutory revenue as reported within the Consolidated Income Statement, and the 2022 proforma revenue had all acquisition and disposal transactions occurred on 1st January 2022. This allows users of the accounts to compare 2023 revenue to 2022 revenue on a like-for-like basis.

	Revenue (statutory) £m	Proforma adjustments[1] £m	Revenue (proforma) £m	Proportion of Group
Steam Thermal Solutions	866.0	(1.2)	864.8	50%
Electric Thermal Solutions	256.1	126.8	382.9	22%
Watson-Marlow	488.5	(1.9)	486.6	28%
Total	**1,610.6**	**123.7**	**1,734.3**	

[1]includes the 2022 pre-acquisition financial results of Cotopaxi Limited, Vulcanic and Durex Industries, and the removal of the 2022 statutory results of our Russian operating companies disposed

Analysis by operating segment

2023	Revenue £m	Adjusted operating profit £m	Adjusted operating profit margin %
Steam Thermal Solutions	910.1	224.0	24.6%
Electric Thermal Solutions	378.5	59.2	15.6%
Watson-Marlow	394.0	93.7	23.8%
Corporate	-	(27.8)	
Total	**1,682.6**	**349.1**	**20.7%**
Net finance expense		(39.9)	
Share of (loss)/profit of associate		-	
Adjusted profit before taxation		**309.2**	

2022	Revenue £m	Adjusted operating profit £m	Adjusted operating profit margin %
Steam Thermal Solutions	866.0	206.1	23.8%
Electric Thermal Solutions	256.1	39.9	15.6%
Watson-Marlow	488.5	160.0	32.8%
Corporate		(25.8)	
Total	**1,610.6**	**380.2**	**23.6%**
Net finance expense		(9.6)	
Share of (loss)/profit of Associate		-	
Adjusted profit before taxation		**370.6**	

The reconciliation for each operating segment for adjusting items is analysed below:

2023

	Amortisation of acquired intangibles £m	Reversal of fair value adjustments to inventory £m	Restructuring costs £m	Acquisition-related items £m	Disposal of associate £m	Impairments £m	Total £m
Steam Thermal Solutions	(4.5)	-	-	(0.4)	-	(13.9)	(18.8)
Electric Thermal Solutions	(29.5)	(1.3)	2.3	(4.9)	-	-	(33.4)
Watson-Marlow	(3.2)	-	(7.5)	-	-	(1.8)	(12.5)
Corporate expenses	-	-	-	(0.4)	0.4	-	-
Total	**(37.2)**	**(1.3)**	**(5.2)**	**(5.7)**	**0.4**	**(15.7)**	**(64.7)**

2022

	Amortisation of acquired intangibles £m	Reversal of fair value adjustments to inventory £m	Disposal of subsidiaries in Russia £m	Restructuring costs £m	Acquisition-related items £m	Accelerated depreciation and other related costs on one-off property redevelopment £m	Total £m
Steam Thermal Solutions	(4.6)	-	(5.3)	-	-	-	(9.9)
Electric Thermal Solutions	(15.3)	(1.8)	-	(15.5)	-	-	(32.6)
Watson-Marlow	(3.8)	-	(1.8)	-	-	-	(5.6)
Corporate expenses	-	-	-	-	(9.1)	(4.2)	(13.3)
Total	**(23.7)**	**(1.8)**	**(7.1)**	**(15.5)**	**(9.1)**	**(4.2)**	**(61.4)**